



THE STRAITS TRADING COMPANY LIMITED

Company Registration No.: 188700008D

The Straits Trading Group

Financial Highlights

- Year to date, the Group reported better net earnings of \$64.4 million in H1 2006 as compared with \$53.3 million in H1 2005. This was mainly because of exceptional gains in Q1 2006 from the divestment of the Group's investment in Killinghall (Malaysia) Berhad and its interest in Straits Eastern Square Private Limited.
- The Group's net earnings however declined 43.2% in Q2 2006 year-on-year. Lower earnings in Q2 2006 were due to (a) lower contributions from Malaysia Smelting Corporation Berhad and property operations and (b) a \$2.0 million deficit arising from the fair value change of the Group's financial assets.
- Net Asset Value per share rose from \$3.45 to \$3.56 because of (a) fair value accounting for investment properties and financial investments and (b) reduced share capital after the completion of the selective capital reduction in April 2006.

\$ million	Q2 2006	Q2 2005 (Restated)	+ / (-) %	YTD 2006 (6 mths)	YTD 2005 (6 mths) (Restated)	+ / (-) %
Total Revenues	211.6	226.0	(6.4)	386.6	270.2	43.1
Profit Before Taxation	25.2	46.8	(46.1)	71.1	64.0	11.0
Profit Before Exceptional Items	16.1	23.3	(31.1)	32.8	40.6	(19.2)
Profit Attributable to Equity Holders of the Company	21.4	37.7	(43.2)	64.4	53.3	20.9

Earnings per Share	6.4 cents	10.6 cents		18.7 cents	14.9 cents	
--------------------	------------------	------------	--	-------------------	------------	--

	As at 30.6.2006	As at 31.12.2005
Equity Attributable to Equity Holders of the Company	\$1,159,177,000	\$1,229,443,000
Net Asset Value per Share	\$3.56	\$3.45

N.B.: All in Singapore dollars.

The Straits Trading Company Limited (Company Registration No. : 188700008D)**Second Quarter and Half Year Financial Statement and Dividend Announcement for the Period Ended 30 June 2006****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS****1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The unaudited results of the Group for the 2nd quarter and half year ended 30 June 2006 are as follows :-

	2nd Quarter (Q2)		Half Year Ended 30 June	
	2006 \$'000	2005 \$'000 (Restated)	2006 \$'000	2005 \$'000 (Restated)
Revenues				
Tin mining and smelting revenue	165,366	185,231	295,877	185,231
Hotel revenue	21,938	15,904	45,973	34,050
Property revenue	12,879	13,284	24,269	33,555
Proceeds from sale of trading securities	1,786	-	1,786	4,340
Investment income, gross	9,018	9,711	11,027	12,226
Fair value changes of financial assets	(2,025)	551	1,125	(826)
Other revenues including interest income	2,593	1,321	6,581	1,594
Total Revenues	211,555	226,002	386,638	270,170
Costs and Expenses				
Employee benefits expenses	(15,595)	(13,713)	(29,947)	(20,761)
Depreciation and amortisation	(4,893)	(5,490)	(9,048)	(7,972)
Exchange (losses)/gains	(714)	1,400	(2,697)	1,441
Cost of tin mining and smelting	(146,446)	(166,319)	(258,401)	(166,319)
Costs of trading securities sold	(1,768)	-	(1,768)	(4,190)
Impairment of financial assets	-	(405)	-	(405)
Other operating expenses	(25,137)	(19,735)	(47,671)	(38,123)
Total Costs and Expenses	(194,553)	(204,262)	(349,532)	(236,329)
Profit from Operations	17,002	21,740	37,106	33,841
Finance costs	(1,545)	(3,696)	(6,084)	(5,806)
Share of results of joint venture companies	46	43	92	86
Share of results of associated companies	575	5,253	1,689	12,483
Profit Before Exceptional Items	16,078	23,340	32,803	40,604
Exceptional items	9,136	23,458	38,267	23,444
Profit Before Taxation	25,214	46,798	71,070	64,048
Taxation	(3,118)	(7,178)	(4,562)	(8,866)
Profit for the period	22,096	39,620	66,508	55,182
Attributable to :				
Equity holders of the Company	21,429	37,707	64,367	53,255
Minority interests	667	1,913	2,141	1,927
	22,096	39,620	66,508	55,182

- Exceptional Items comprise :-

	2nd Quarter (Q2)		Half Year Ended 30 June	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) Net surplus on disposal of investments	775	35	18,050	35
(b) Net surplus on disposal of a subsidiary company	-	-	11,856	-
(c) Net surplus on dilution of interest in associated company	-	7,399	-	7,399
(d) Net deficit on revaluation of oversea commercial investment property	-	-	-	(14)
(e) Net gains on disposal of properties	1,310	16,024	1,310	16,024
(f) Fair value changes of investment properties	6,957	-	6,957	-
(g) Compensation award on land acquired	94	-	94	-
	<u>9,136</u>	<u>23,458</u>	<u>38,267</u>	<u>23,444</u>

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheets as at 30 June 2006

	GROUP		COMPANY	
	30 June 2006 \$'000	31 December 2005 \$'000	30 June 2006 \$'000	31 December 2005 \$'000
Non-Current Assets				
Property, plant and equipment, net	208,730	219,355	105	646
Investment properties, net	363,071	435,901	68,366	39,042
Base inventory	1,300	1,320	-	-
Investments in subsidiary companies, net	-	-	119,877	119,877
Amounts due from subsidiary companies, net	-	-	160,062	483,737
Joint venture companies, net	487	457	-	-
Associated companies, net	15,651	14,210	1,123	1,123
Investments, net	304,500	334,068	214,980	250,234
Mining rights, net	4,027	5,048	-	-
Management rights, net	995	1,135	-	-
Deferred tax assets	4,353	1,166	-	-
Goodwill on consolidation	21,064	21,410	-	-
Other financial assets	99	45	-	-
Other non-current assets, net	11,598	12,630	-	-
	<u>935,875</u>	<u>1,046,745</u>	<u>564,513</u>	<u>894,659</u>
Current Assets				
Properties held for sale	29,402	32,859	-	-
Inventories	136,606	168,671	-	-
Marketable securities, net	56,487	56,415	-	-
Trade debtors, net	69,573	29,648	498	756
Other debtors	30,082	29,333	273	341
Tax recoverables	17,820	14,838	-	9
Other financial assets	2,651	207	-	-
Cash at bank and on deposit	251,483	159,719	209,910	111,685
	<u>594,104</u>	<u>491,690</u>	<u>210,681</u>	<u>112,791</u>
Assets classified as held for sale	2,886	367,479	36	36
	<u>596,990</u>	<u>859,169</u>	<u>210,717</u>	<u>112,827</u>
Current Liabilities				
Borrowings	(151,630)	(257,855)	-	-
Trade creditors	(14,038)	(14,467)	(443)	(510)
Other creditors	(35,989)	(36,451)	(4,096)	(3,295)
Other financial liabilities	(370)	(3,534)	-	-
Provision for taxation	(13,590)	(13,437)	(1,535)	(1,165)
Provisions	(35)	(37)	-	-
	<u>(215,652)</u>	<u>(325,781)</u>	<u>(6,074)</u>	<u>(4,970)</u>
Liabilities directly associated with assets classified as held for sale	-	(220,000)	-	-
	<u>(215,652)</u>	<u>(545,781)</u>	<u>(6,074)</u>	<u>(4,970)</u>
Net Current Assets	<u>381,338</u>	<u>313,388</u>	<u>204,643</u>	<u>107,857</u>
Non-Current Liabilities				
Borrowings	(26,349)	(27,161)	-	-
Provisions	(6,220)	(5,999)	-	-
Other non-current liabilities	(41,752)	(26,462)	-	-
Deferred tax liabilities	(18,486)	(13,037)	(2,158)	(254)
Other financial liabilities	-	(1,611)	-	-
	<u>(92,807)</u>	<u>(74,270)</u>	<u>(2,158)</u>	<u>(254)</u>
NET ASSETS	<u>1,224,406</u>	<u>1,285,863</u>	<u>766,998</u>	<u>1,002,262</u>
Equity attributable to equity holders of the Company				
Share capital	265,928	356,400	265,928	356,400
Reserves	893,249	873,043	501,070	645,862
	<u>1,159,177</u>	<u>1,229,443</u>	<u>766,998</u>	<u>1,002,262</u>
Minority Interest	65,229	56,420	-	-
TOTAL EQUITY	<u>1,224,406</u>	<u>1,285,863</u>	<u>766,998</u>	<u>1,002,262</u>

(Certain comparative figures have been adjusted to conform with current period's presentation.)

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 30/6/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$13,000	\$151,617,000	\$328,012,000	\$149,843,000

Amount repayable after one year

As at 30/6/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$36,000	\$26,313,000	\$45,000	\$27,116,000

Details of any collateral

The \$49,000 secured borrowing is secured by a motor vehicle acquired under a finance lease.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Cash Flow Statement for the 2nd quarter and half year ended 30 June 2006

	2nd Quarter (Q2)		Half Year Ended 30 June	
	2006 \$'000	2005 \$'000 (Restated)	2006 \$'000	2005 \$'000 (Restated)
Cash flow from operating activities :-				
Profit from operations	17,002	21,740	37,106	33,841
Adjustments for :-				
Interest income	(2,590)	(1,188)	(4,251)	(1,441)
Investment income	(9,018)	(9,711)	(11,027)	(12,226)
Depreciation of property, plant and equipment	3,800	5,090	7,442	7,524
(Gain)/Loss on disposal of property, plant and equipment	(93)	3	(92)	4
Property, plant and equipment written off	4	-	30	-
Amortisation of mining rights	411	352	828	352
Amortisation of management rights	46	48	92	96
Amortisation of exploration and development cost	636	-	686	-
Amortisation of deferred income	(2,005)	-	(2,005)	-
Changes in fair value on financial assets	(439)	(233)	(433)	(263)
Provision/(write back) for mine reclamation	240	(163)	481	(163)
Provision for employee benefit	185	349	673	349
Write off capitalised exploration costs	-	-	356	-
Operating profit before working capital changes	8,179	16,287	29,886	28,073
Decrease in properties held for sale	2,061	1,059	3,457	6,159
Decrease/(Increase) in inventories	4,408	(27,530)	32,065	(27,386)
Decrease/(Increase) in marketable securities, net	3,161	(871)	(72)	(611)
(Increase)/Decrease in debtors	(30,012)	(2,373)	(43,846)	1,322
(Decrease)/Increase in creditors	(4,492)	10,590	(10,287)	1,910
Cash (used in)/generated from operations	(16,695)	(2,838)	11,203	9,467
Interest expense	(1,498)	(3,512)	(5,327)	(5,622)
Income tax paid, net	(7,571)	(4,956)	(9,539)	(5,102)
Investment income	9,018	9,711	11,027	12,226
Dividends from associated companies	21	62	21	2,410
Interest income	2,616	1,099	4,325	1,352
Net cash flow (used in)/from operating activities	(14,109)	(434)	11,710	14,731
Cash flow from investing activities :-				
Proceeds from sale of property, plant and equipment	16,111	7,379	19,342	7,917
Proceed received on sale of property	-	-	390,000	-
Net cash flow from acquisition of a subsidiary company	-	(26,741)	-	3,011
Net cash flow from disposal of a subsidiary company (see note)	-	-	17,270	-
Cost incurred on property, plant and equipment	(3,499)	(10,048)	(7,257)	(12,787)
Sale proceeds from investments	1,370	265	53,016	265
Purchase of investments	(194)	(7,279)	(194)	(8,589)
Payment of deferred mine development and exploration expenditure	(197)	(975)	(466)	(975)
Cost incurred on investment properties	(73)	-	(141)	-
Net cash flow from/(used in) investing activities	13,518	(37,399)	471,570	(11,158)
Cash flow from financing activities :-				
Increase in borrowings/(loan repayment), net	34,533	36,579	(219,037)	36,579
(Decrease)/Increase in amount due to minority shareholder of a subsidiary company	-	(271)	-	4,139
(Increase)/Decrease in amount due from a joint venture company	(7)	41	62	4
Payment of dividend to minority shareholders of a subsidiary company	-	-	(1,643)	-
Payment of dividends to shareholders	(78,215)	(14,256)	(78,215)	(14,256)
Payment pursuant to selective capital reduction and related expenses	(90,690)	-	(90,690)	-
Net cash flow (used in)/from financing activities	(134,379)	22,093	(389,523)	26,466
Net (decrease)/increase in cash and cash equivalents	(134,970)	(15,740)	93,757	30,039
Cash and cash equivalents at beginning of financial period	387,803	101,910	159,719	55,980
Effect of exchange rate changes on balances held in foreign currencies	(1,350)	858	(1,993)	1,009
Cash and cash equivalents at 30 June	251,483	87,028	251,483	87,028
Cash and cash equivalents at 30 June consist of :-				
Cash at bank and on deposit	251,483	87,028	251,483	87,028

Note :

(a) Disposal of a subsidiary company

The values of assets and liabilities of the subsidiary company recorded in the consolidated financial statements as at 1 January 2006, and the cash flow effect of the disposal were :

	\$'000
Property, plant and equipment	7
Investment property	120,000
Trade and other debtors	414
Cash at bank and on deposit	348

	120,769
Borrowings	(108,000)
Trade and other creditors	(1,264)
Amount due to :	
- holding company	(13,312)
- minority shareholder	(12,997)
Minority interests	7,254

	(7,550)
Net surplus on disposal	11,856

Net consideration	4,306
Repayment of amount due from subsidiary company	13,312
Net cash at bank and on deposit in the subsidiary company disposed	(348)

Net cash inflow from disposal of a subsidiary company	17,270
	=====

(b) The net cash effect arising from the acquisition of a subsidiary company in Q1 2006 is nil.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity for the period ended 30 June 2006

GROUP

	Attributable to equity holders of the Company								
	Share capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Revenue reserve \$'000	Total reserves \$'000	Minority interests \$'000	Total equity \$'000
At 31 December 2005 as previously reported	356,400	77,590	(17,982)	148,156	33	665,246	873,043	56,420	1,285,863
Effect of adopting :									
FRS 40									
Transfer of revaluation reserve arising from investment properties to revenue reserve	-	(76,443)	-	-	-	76,443	-	-	-
Net revaluation surplus arising from properties reclassified to investment properties	-	-	-	-	-	32,681	32,681	-	32,681
At 1 January 2006 as restated	356,400	1,147	(17,982)	148,156	33	774,370	905,724	56,420	1,318,544
Exchange adjustment	-	-	(3,354)	-	-	-	(3,354)	(392)	(3,746)
Exchange loss transferred to profit and loss account	-	-	10,977	-	-	-	10,977	-	10,977
Profit for 1st quarter	-	-	-	-	-	42,938	42,938	1,474	44,412
Net fair value changes on available-for-sale investments	-	-	-	76,568	-	-	76,568	(13)	76,555
Net fair value changes transferred to profit and loss account	-	-	-	(25,400)	-	-	(25,400)	-	(25,400)
Net fair value changes on cash flow hedges	-	-	-	1,234	-	-	1,234	1,612	2,846
Minority interest on disposal of a subsidiary company	-	-	-	-	-	-	-	7,254	7,254
Dividend to minority shareholders of a subsidiary company	-	-	-	-	-	-	-	(1,643)	(1,643)
Dividend on ordinary shares - 2nd interim dividend for 2005, payable	-	-	-	-	-	(13,036)	(13,036)	-	(13,036)
At 31 March 2006	356,400	1,147	(10,359)	200,558	33	804,272	995,651	64,712	1,416,763

Statements of Changes in Equity for the period ended 30 June 2006 (cont'd)

GROUP

	Attributable to equity holders of the Company								
	Share capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Revenue reserve \$'000	Total reserves \$'000	Minority interests \$'000	Total equity \$'000
Exchange adjustment	-	-	(1,937)	-	-	-	(1,937)	(974)	(2,911)
Profit for 2nd quarter	-	-	-	-	-	21,429	21,429	667	22,096
Net fair value changes on available-for-sale investments	-	-	-	(57,202)	-	-	(57,202)	(8)	(57,210)
Net fair value changes transferred to profit and loss account	-	-	-	(231)	-	-	(231)	-	(231)
Net fair value changes on cash flow hedges	-	-	-	936	-	-	936	832	1,768
Reduction of share capital pursuant to selective capital reduction and related expenses	(90,472)	-	-	-	-	(218)	(218)	-	(90,690)
Dividend on ordinary shares - Special dividend for 2005, paid	-	-	-	-	-	(65,179)	(65,179)	-	(65,179)
At 30 June 2006	265,928	1,147	(12,296)	144,061	33	760,304	893,249	65,229	1,224,406

Statements of Changes in Equity for the period ended 30 June 2006 (cont'd)

GROUP

	Attributable to equity holders of the Company								
	Share capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Reserve on consolidation \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total Reserves \$'000	Minority interests \$'000	Total equity \$'000
At 31 December 2004 as previously reported	356,400	149,258	(17,862)	2,634	-	603,939	737,969	(17,543)	1,076,826
<u>FRS 16 (revised)</u>									
Reversal of revaluation surplus for properties under development	-	(72,815)	-	-	-	-	(72,815)	-	(72,815)
At 31 December 2004 as restated	356,400	76,443	(17,862)	2,634	-	603,939	665,154	(17,543)	1,004,011
Effect of adopting :									
<u>FRS 39</u>									
Net fair value changes on available-for-sale investments	-	-	-	-	63,191	-	63,191	-	63,191
Net fair value changes on cash flow hedges	-	-	-	-	659	-	659	-	659
Net fair value changes on held-for-trading investments	-	-	-	-	-	8,536	8,536	-	8,536
Impairment on investments	-	-	-	-	-	(130)	(130)	-	(130)
<u>FRS 103</u>									
Transfer of reserve on consolidation to revenue reserve	-	-	-	(2,634)	-	2,634	-	-	-
At 1 January 2005 as restated	356,400	76,443	(17,862)	-	63,850	614,979	737,410	(17,543)	1,076,267
Exchange adjustment	-	-	314	-	-	-	314	(56)	258
Share of reserves movement of associated companies	-	-	-	-	-	245	245	-	245
Profit for 1st quarter	-	-	-	-	-	15,548	15,548	14	15,562
Net fair value changes on available-for-sale investments	-	-	-	-	12,826	-	12,826	-	12,826
Net fair value changes on cash flow hedges	-	-	-	-	277	-	277	-	277
Minority interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-	79,274	79,274
Dividend on ordinary shares									
- 2nd interim dividend for 2004, payable	-	-	-	-	-	(14,256)	(14,256)	-	(14,256)
Net revaluation surplus on subsidiary company acquired	-	1,147	-	-	-	1,403	2,550	-	2,550
At 31 March 2005	356,400	77,590	(17,548)	-	76,953	617,919	754,914	61,689	1,173,003

Statements of Changes in Equity for the period ended 30 June 2006 (cont'd)

GROUP

	Attributable to equity holders of the Company								Total equity \$'000
	Issued capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Reserve on consolidation \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total reserves \$'000	Minority interests \$'000	
Exchange adjustment	-	-	2,724	-	-	-	2,724	1,609	4,333
Profit for 2nd quarter	-	-	-	-	-	37,707	37,707	1,913	39,620
Net fair value changes on available-for-sale investments	-	-	-	-	20,694	-	20,694	(99)	20,595
Net fair value changes transferred to profit and loss account	-	-	-	-	(95)	-	(95)	-	(95)
Net fair value changes on cash flow hedges	-	-	-	-	(2,855)	-	(2,855)	(2,608)	(5,463)
Capital injection by minority shareholder of a subsidiary company	-	-	-	-	-	-	-	11,760	11,760
Acquisition of additional interest in a subsidiary company	-	-	-	-	-	-	-	(14,712)	(14,712)
At 30 June 2005	356,400	77,590	(14,824)	-	94,697	655,626	813,089	59,552	1,229,041

Statements of Changes in Equity for the period ended 30 June 2006 (cont'd)

COMPANY

	Share capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000
At 31 December 2005 as previously reported	356,400	26,010	(468)	131,681	488,639	1,002,262
FRS 40 Transfer of revaluation reserve arising from investment properties to revenue reserve	-	(26,010)	-	-	26,010	-
Net revaluation surplus arising from properties reclassified to investment properties	-	-	-	-	27,711	27,711
At 1 January 2006 as restated	356,400	-	(468)	131,681	542,360	1,029,973
Exchange adjustment	-	-	(25)	-	-	(25)
Fair value changes on available-for-sale investments	-	-	-	49,756	-	49,756
Net fair value changes transferred to profit and loss account	-	-	-	(41,498)	-	(41,498)
Profit for 1st quarter	-	-	-	-	44,436	44,436
Cancellation of subsidiaries' indebtedness	-	-	-	-	(119,658)	(119,658)
Dividend on ordinary shares - 2nd interim dividend for 2005, payable	-	-	-	-	(13,036)	(13,036)
At 31 March 2006	356,400	-	(493)	139,939	454,102	949,948
Exchange adjustment	-	-	(715)	-	-	(715)
Profit for 2nd quarter	-	-	-	-	9,850	9,850
Fair value changes on available- for-sale investments	-	-	-	(36,216)	-	(36,216)
Reduction of share capital pursuant to selective capital reduction and related expenses	(90,472)	-	-	-	(218)	(90,690)
Dividend on ordinary shares - Special dividend for 2005, paid	-	-	-	-	(65,179)	(65,179)
At 30 June 2006	265,928	-	(1,208)	103,723	398,555	766,998

Statements of Changes in Equity for the period ended 30 June 2006 (cont'd)

COMPANY

	Share capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000
At 31 December 2004 as previously reported	356,400	29,076	-	-	445,400	830,876
Effect of adopting FRS 39 :						
Fair value changes on available- for-sale investments	-	-	-	63,970	-	63,970
Impairment on investments	-	-	-	-	(130)	(130)
At 1 January 2005 as restated	356,400	29,076	-	63,970	445,270	894,716
Profit for 1st quarter	-	-	-	-	4,392	4,392
Fair value changes on available- for-sale investments	-	-	-	11,177	-	11,177
Dividend on ordinary shares - 2nd interim dividend for 2004, payable	-	-	-	-	(14,256)	(14,256)
At 31 March 2005	356,400	29,076	-	75,147	435,406	896,029
Profit for 2nd quarter	-	-	-	-	17,011	17,011
Fair value changes on available- for-sale investments	-	-	-	28,159	-	28,159
Net fair value changes on cash flow hedges	-	-	-	31	-	31
At 30 June 2005	356,400	29,076	-	103,337	452,417	941,230

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

As disclosed in the 2006 1st quarter financial statements announcement made on 9 May 2006, the selective capital reduction, which involved the cancellation of 30,503,000 ordinary shares in the Company under Section 78G of the Companies Act (Cap. 50), became effective on 24 April 2006. After the selective capital reduction, the total number of issued ordinary shares in the Company was reduced from 356,400,000 to 325,897,000.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures for the 2nd quarter and the half year ended 30 June 2006 have not been audited but have been reviewed by the Company's auditors in accordance with the Singapore Statement of Auditing Practice 11, Review of Interim Financial Information.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Review Report by the Auditors, Ernst & Young, Certified Public Accountants, Singapore :-

"We have been engaged by The Straits Trading Company Limited (the "Company") to review the interim financial information for the second quarter and half-year ended 30 June 2006.

Appendix 7.2 of the Singapore Exchange Securities and Trading Limited Listing Manual ("Listing Manual") requires the preparation of interim financial information to be in compliance with the relevant provisions thereof. The accompanying financial information comprise the balance sheet of the Company and the consolidated balance sheet of the Company and its subsidiaries ("the Group") as at 30 June 2006, the statements of changes in equity of the Company and of the Group and statements of income and cash flows of the Group for the second quarter and half-year ended on that date (collectively, the "financial information"). The financial information reviewed by us are those set out in paragraphs 1, 6 and 7 of this announcement. The interim financial information is the responsibility of, and has been approved by, the Company's directors. Our responsibility is to issue a report, solely for the use of the directors, on the financial information based on our review.

We conducted our review in accordance with the Singapore Statement of Auditing Practice 11, Review of Interim Financial Information. A review of interim financial information consists principally of applying analytical procedures to the financial data and making inquiries of, and having discussions with, persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with Singapore Standards on Auditing and does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that there are any material modifications that needs to be made to the accompanying interim financial information for it to be in accordance with Appendix 7.2 of the Listing Manual.”

4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2005, except for the early adoption of Financial Reporting Standard (FRS) 40 – Investment Property.

The impact of the change in accounting policy is as follows:-

The adoption of FRS 40 has resulted in an increase in equity as at 1 January 2006 of \$32.7 million at Group level. This is after adjusting for the related deferred taxes. In accordance with the transitional provisions, there is no restatement of the Q1 2005 profit and loss account of the Group and the Company.

Further, in accordance with the transitional provisions of FRS 40, the revaluation reserve of \$76.4 million at Group level, as at 1 January 2006, arising from investment properties, was adjusted to opening revenue reserve.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to paragraph 4.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	2nd Quarter (Q2)		Half Year Ended 30 June	
	2006	2005	2006	2005
Basic and Diluted Earnings per share for the period based on Group profit attributable to Equity Holders of the Company :-	6.4 cents	10.6 cents	18.7 cents	14.9 cents

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

(a) **current financial period reported on; and**

(b) **immediately preceding financial year.**

	30 June 2006	31 December 2005
Net asset value per share based on issued share capital at the end of :-		
The Group	\$3.56	\$3.45
The Company	\$2.35	\$2.81

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

(b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Overall review

The Group's core businesses comprise (a) metals and mineral resources, (b) hotel management and investment, (c) property operations and (d) financial investments.

In Q2 2006, the Group's net attributable profit fell 43.2% from \$37.7 million to \$21.4 million year-on-year, due primarily to (a) lower contributions from Malaysia Smelting Corporation Berhad (MSC) and property operations; (b) smaller exceptional gains from the sale of properties and the dilution of the Group's interest in its associated company, Straits Lion Asset Management Limited (SLAM) in Q2 2005; and (c) a \$2.0 million deficit arising from the fair value change of the Group's financial assets.

The lower profits in Q2 2006 were consistent with the comments made in the announcement of the Group's Q1 2006 results in May 2006.

Year to date, however, the Group reported better net earnings of \$64.4 million in H1 2006 as compared with \$53.3 million in H1 2005. This was mainly because of the exceptional gains in Q1 2006 from the divestment of the Group's investment in Killinghall (Malaysia) Berhad (Killinghall) and its interest in Straits Eastern Square Private Limited which owns the 3 Pickering Street property.

Segmental review

Metals and mineral resources

MSC's net earnings fell from RM14.5 million in Q2 2005 to RM10.0 million in Q2 2006 due to (a) high production and fuel costs after the removal of fuel subsidy by the Indonesia government in October 2005 and (b) lower volume of production as a result of intense competition for tin ores from a number of small scale smelters following the rise in tin prices.

Hotel management and investment

Hotel revenue increased 37.9% from \$15.9 million in Q2 2005 to \$21.9 million in Q2 2006 due to new hotels added to the Rendezvous portfolio in the later part of 2005 such as Melbourne, Broome and Port Douglas in Australia.

Most of the Group's Australia hotels continued to do well except for Perth. Results of Observation City were affected by higher costs incurred on the contracted security arrangement. Whilst average room rates and occupancy levels have improved, higher overheads and hence lower profit margins have impacted the hotel's performance.

Property operations

There was a slight drop in property revenue from \$13.3 million in Q2 2005 to \$12.9 million in Q2 2006 after the sale of China Square Central in Q1 2006 and the vacation of Straits Trading Building in Singapore since February 2006. The loss in rental income was mitigated by proceeds from the sale of residential units in Gallop Gables condominium.

Financial investments

Similar to last few quarters, there were hardly any activities in our trading portfolio.

For the Group's long term investments, dividend income fell from \$9.7 million in Q2 2005 to \$9.0 million in Q2 2006 due to (a) the disposal of some investments eg Killinghall and (b) the absence of special dividend payouts from some of the Group's investments.

Associated companies

Earnings contribution from associated companies were insignificant in Q2 2006 compared with \$5.3 million in Q2 2005 as SLAM ceased to be an associated company of the Group in Q2 2005.

In addition, contribution from the residential project at Federal Hill, Malaysia was minimal since most of the earnings have already been booked in the previous years.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The 2nd quarter and half year results ended 30 June 2006 are broadly in line with the prospect statement disclosed in the 2006 1st quarter financial statements announcement made on 9 May 2006.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Metals and mineral resources

Earnings from MSC are expected to be lower than in 2005 despite higher tin prices as production has been reduced substantially due to competition for tin ores from small scale smelters in Indonesia and margins are lower as a result of rising fuel costs. The Group has taken certain initiatives to reduce its operating costs in Indonesia in order to improve its profitability.

Property operations

After the sale of China Square Central and the vacation of Straits Trading Building in Singapore for re-development early this year, property rental incomes are expected to be significantly lower for the rest of the year.

Hotel management and investment

Hotel profit is expected to rise with the new hotel management contracts secured in 2005. This year, we are looking at adding at least two more hotels under the Rendezvous portfolio.

Financial investments

Activities from the trading portfolio are expected to remain low. With the decrease in the Group's investment holdings, dividend income from these investments will be lower than those in the previous year.

Overall, the Group is confident that the operations will remain profitable in 2006.

Contingent Liabilities

Outstanding material litigation against a subsidiary, Malaysia Smelting Corporation Berhad (MSC) :

- (1) A Writ of Claim for RM45 million plus interest at 8% per annum and legal costs was filed against MSC for an alleged breach of a Share Subscription Agreement made between the Plaintiff and MSC. The breach was in fact committed by the Plaintiff, entitling MSC to terminate the agreement. MSC has filed its Statement of Defence disputing liability. To-date, the Plaintiff has not proceeded further on the case.
- (2) A Writ of Claim was filed against MSC by a system provider for RM1.28 million plus interest at 8% per annum and legal costs for alleged cost overruns in the implementation of an Enterprise Resource Planning System. The Claim came after more than a year following the completion of the implementation. MSC has filed its Statement of Defence disputing liability.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

<i>Name of Dividend</i>	First Interim
<i>Dividend Type</i>	Cash
<i>Dividend Amount per Share (in cents)</i>	2 cents per ordinary share (one-tier tax)
<i>Tax Rate</i>	N.A.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

<i>Name of Dividend</i>	First Interim
<i>Dividend Type</i>	Cash
<i>Dividend Amount per Share (in cents)</i>	2 cents per ordinary share (one-tier tax)
<i>Tax Rate</i>	N.A.

(c) Date payable

7 September 2006

(d) Books closure date

The share register of the Company will be closed on 29 August and 30 August 2006 for the preparation of warrants. Registrable transfers received by the Company's Registrars, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), at 8 Cross Street, #11-00 PWC Building, Singapore 048424, up to 5.00 p.m. on 28 August 2006 will be registered before entitlements to the dividend are determined.

The Directors have declared a first interim dividend of a one-tier tax exempt dividend of 2 cents per share in respect of the financial year ending 31 December 2006.

The above dividend will be paid on 7 September 2006 to shareholders on the share register on 30 August 2006.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

BY ORDER OF THE BOARD

Emily Teo (Ms)

Secretary

8 August 2006

Singapore